ANNUAL FINANCIAL STATEMENTS

RICHMOND LOCAL MUNICIPALITY

30 JUNE 2011

RICHMOND LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2011

General Information

Legal form of entity	Local Municipality
Mayor	Cllr B Ngcongo (1 July 2010 to 5 June 2011) Cllr A Ragavaloo (6 June 2011 to 30 June 2011)
Deputy Mayor	Cllr BE Dlamini (1 July 2010 to 5 June 2011) Cllr PC Ngcobo (6 June 2011 to 30 June 2011) Cllr A Ragavaloo (Speaker) 1 July 2010 to 5 June 2011) Cllr ST Shabalala (Speaker) 6 June 2011 to 30 June 2011
Councillors	SJ Mchunu (1 July 2010 to 5 June 2011) TC Madonda BM Mngadi ZS Msomi (1 July 2010 to 5 June 2011) BA Mchunu(1 July 2010 to 5 June 2011) DR Phoswa (1 July 2010 to 5 June 2010) PL Shange (1 July 2010 to 5 June 2011) MJ Shelembe (1 July 2010 to 5 June 2011) WT Tshelembe (1 July 2010 to 5 June 2011) MP Vezi (1 July 2010 to 5 June 2011) B Ngcongo (6 June 2011 to 30 June 2011) TD Kunene (6 June 2011 to 30 June 2011) KE Magubane (6 June 2011 to 30 June 2011) RB Shange (6 June 2011 to 30 June 2011) J Jili (6 June 2011 to 30 June 2011) M Maphumulo (6 June 2011 to 30 June 2011) MDB Ngubo (6 June 2011 to 30 June 2011) P Moonsamy (6 June 2011 to 30 June 2011) SA Mdlalose (6 June 2011 to 30 June 2011)
Grading of local authority	Grade 4
Accounting Officer	Mr ES Sithole
Chief Financial Officer (CFO)	Mr WC Donnelly
Registered office	Memorial Hall 57 Shepstone Street RICHMOND 3780
Postal address	Private Bag x1028 Richmond 3780
Bankers	First National Bank
Auditors	Auditor - General (SA)
Attorneys	Venn Nemeth & Hart

RICHMOND LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS for the year ended 30 June 2011

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are responsible for reporting on the fair presentation of the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2011 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is dependent on the grants and subsidies and internal funding for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages **4 to 69**, which have been prepared on the going concern basis, were approved by the accounting officer on **31 August 2011** and were signed on its behalf by:

Municipal Manager

Date 31|8|2011

RICHMOND LOCAL MUNICIPALITY

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The reports and statements set out below comprise the annual financial statements presented to the Auditor - General:

Report of the Auditor - General (to be inserted)

RICHMOND LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Notes	2011 R	2010 R
Assets			
Current Assets			
Inventories	10	171 710	112 762
Other financial assets	6	17 551	12 367
Trade and other receivables from exchange transactions	11	49 752	205 390
Other receivables from non-exchange transactions	12	3 264 838	3 262 417
VAT receivable	13	1 057 280	1 879 841
Consumer debtors	14	3 541 022	4 381 634
Cash and cash equivalents	15	36 386 170	43 363 732
		44 488 323	**53 218 143**
Non-Current Assets			
Property, plant and equipment	3	80 693 250	61 675 604
Intangible assets	4	34 421	26 816
Other financial assets	6	59 808	77 656
		80 787 479	**61 780 076**
Non-current assets held for sale	5	**963 384**	**1 157 627**
Total Assets		**126 239 186**	**116 155 846**
Liabilities			
Current Liabilities			
Other financial liabilities	18	17 551	12 367
Operating lease liability	8	184 075	145 495
Current Portion of finance lease liability	19	56 631	-
Trade and other payables from exchange transactions	22	7 024 939	7 254 883
Unspent conditional grants and receipts	20	15 743 515	25 663 939
		23 026 711	**33 076 684**
Non-Current Liabilities			
Other financial liabilities	18	59 542	77 390
Retirement benefit obligation	9	3 849 564	3 380 504
Non current finance lease liability	19	22 537	-
Provisions	21	2 817 429	2 561 299
		6 749 072	**6 019 193**
Total Liabilities		**29 775 783**	**39 095 877**
Net Assets		96 463 403	77 059 969
Net Assets			
Accumulated surplus		96 463 403	77 059 969
		96 463 403	77 059 969
Accumulated surplus		80 480 850	51 170 340
Housing development fund		239 038	225 690
Unspent grants		15 743 515	25 663 939

RICHMOND LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011	2010
		R	R
REVENUE			
Revenue from Non-exchange Transactions		**52 114 633**	**44 096 508**
Taxation Revenue		**5 591 256**	**4 719 799**
Property taxes	23	5 137 436	4 172 096
Property rates - penalties imposed and collection charges		453 820	547 703
Transfer Revenue		**46 440 054**	**39 223 183**
Government Grants and Subsidies	25	46 440 054	39 223 183
Other Revenue		**83 322**	**153 526**
Third Party Payments		-	-
Fines		83 322	153 526
Revenue from Exchange Transactions		**5 889 368**	**8 469 671**
Service Charges	24	1 137 628	1 040 465
Rental of Facilities and Equipment		774 286	3 642 176
Interest Earned - external investments		1 390 269	1 502 163
Interest Earned - outstanding debtors		513 825	41 511
Licences and Permits		1 170 964	1 371 170
Income for Agency Services		419 648	345 178
Other Income	26	482 748	527 010
Total Revenue		**58 004 001**	**52 566 179**
EXPENDITURE			
Employee related costs	28	16 255 069	13 913 668
Remuneration of Councillors	29	3 044 342	2 777 436
Debt Impairment		-	-
Depreciation and Amortisation	30	2 600 577	3 111 878
Collection Costs		28 433	68 667
Repairs and Maintenance		2 653 064	1 759 765
Finance Costs	31	283	-
Contracted services		1 419 130	1 471 465
Grants and Subsidies Paid	33	93 582	44 520
General Expenses	27	12 798 123	13 348 306
Total Expenditure		**38 892 603**	**36 495 705**
Operating Surplus for the Year		**19 111 399**	**16 070 473**
Loss on disposal of Property,Plant and Equipment/Investment Property		78 109	(225 305)
Gain on disposal of Property, Plant & Equipment/Investment Property		-	32 813
(Impairment loss) / Reversal of Impairment loss		(148 634)	-
NET SURPLUS FOR THE YEAR		**19 040 874**	**15 877 981**

RICHMOND LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Share capital / Contributions From Owners	Capitalisation Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 JULY 2009 (as previously stated)	-	-	**60 771 364**	**60 771 364**
Changes in net assets	-	-	-	-
Change in accounting policy	-	-	-	-
Prior year adjustment	-	-	410 623	410 623
Implementation of GRAP	-	-	-	-
Net income (expenses) recognised directly in net assets	-	-	410 623	410 623
Surplus for the year			15 877 981	15 877 981
Total recognised income and expenses for the year	-	-	16 288 604	16 288 604
Total changes	-	-	16 288 604	16 288 604
Balance at 1 JULY 2010 (restated)	-	-	**77 059 969**	**77 059 969**
Changes in net assets	-	-	-	-
Prior year adjustment	-	-	362 561	362 561
Net income (expenses) recognised directly in net assets			362 561	362 561
Surplus for the year			19 040 874	19 040 874
Total recognised income and expenses for the year			19 403 435	19 403 435

RICHMOND LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		7 856 739	10 305 030
Grants		46 440 054	54 604 110
Interest income		1 390 269	1 492 197
		55 687 062	66 401 337
Payments			
Employee costs		(18 830 351)	(16 771 150)
Finance Costs		(283)	-
Suppliers		(26 550 789)	(11 740 924)
		(45 381 423)	(28 512 074)
Net cash flows from operating activities	34	**10 305 639**	**37 889 263**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(17 372 117)	(18 808 867)
Proceeds on Disposal of Fixed Assets		88 916	184 379
Purchase of Intangible Assets		-	(9 554)
Proceeds from sale of financial assets		23 032	23 745
Net cash flows from investing activities		**(17 260 169)**	**(18 610 297)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other financial liabilities		(23 032)	(23 745)
Net cash flows from financing activities		**(23 032)**	**(23 745)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(6 977 562)**	**19 255 221**
Cash and Cash Equivalents at the beginning of the year		43 363 732	24 108 511
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15	**36 386 170**	**43 363 732**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

The standards included in the GRAP reporting framework, as determined in Directive 5 as issued by the Accounting Standards Board, are summarised as follows:

Standard	Title of standard
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The effects of changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investment in Associate
GRAP 8	Interest in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 10	Financial Reporting in Hyperinflationary Economies
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after reporting date
GRAP 16	Investment Property
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 100	Non current Assets held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
IFRS 3 (AC 140)	Business Combinations
IFRS 4 (AC 141)	Insurance Contracts
IFRS 6 (AC 143)	Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144)	Financial Instruments: Disclosures
IAS 12 (AC 102)	Income Taxes
IAS 19 (AC 116)	Employee Benefits
IAS 32 (AC 125)	Financial Instruments: Presentation
IAS 36 (AC 128)	Impairment of Assets

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

IAS 39 (AC 133)	Financial Instruments: Recognition and Measurement
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash Generating Assets
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRC 14	The Limit of a Defined Benefit Asset. Minimum Funding Requirements and their interaction
IGRAP 1	Applying the Probability Test on Initial Recognition of Exchange Revenue

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Significant judgements include:

Trade receivables / Held to maturity investments and/or loans receivable

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in surplus and deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment of trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for economic conditions and other indicators present at reporting date that correlate with defaults on the portfolio. These annual ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Available -for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the municipality evaluates amoung other factors, the duration and extent to which the fair value of an investment is less than its cost: and the financial health of and near-term business outlook for the investee, including factors such as changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contracted cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value - in- use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are estimates indications that impairment may have occurred, are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated cash flow outflows expected to be required to settle the pension obligations.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

The provision for impairment is measured as the difference between the assets' carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition. An impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured with reference to historical data and payment trend analysis per group of consumers.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

Accounting Policies

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Where Property, plant and equipment is carried at revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impaired losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Accounting Policies

1.3 Property, plant and equipment (continued)

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	**Average useful life**
Land	
• Land	Infinite
Buildings	
• Dwellings	25-30
• Non Residential Dwelling	25-30
Infrastructure	
• Cemeteries	15-30
• Electricity	15-30
• Reservoirs - Water	20-40
• Roads	15-50
• Solid Waste Disposal	10-55
Heritage	
• Heritage assets	Infinite
Other asset	
• Furniture and Office equipment	5-15
• Computer Equipment	5-10
• Machinery and Equipment	5-15
• Motor Vehicles	7

The residual value, and the useful life and depreciation method of each asset are reviewed annually. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.3 Property, plant and equipment (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Accounting Policies

1.4 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.
Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	**Useful life**
Computer software, other	5 years

1.5 Financial instruments

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - designated
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial and financial assets designated as fair value through surplus or deficit, which will not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial viability or an equity instrument in accordance with the substance of the contractual arrangement.

Accounting Policies

1.5 Financial instruments (continued)

Financial instruments are measured, initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in profit or loss.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from charges in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.
Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability the the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit.

Accounting Policies

1.5 Financial instruments (continued)

Financial instruments designated as at fair value through profit or loss

The municipality holds shares in NCT Forestry Co-opt Limited due to their past forestry operations. These shares are held at cost and is not available for sale or transferable on the open market. Should the municipality member cease farming and wish to redeem the shares, this would be done at the annual meeting of members and the paid up value (cost) of the shares refunded to the member.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more the 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit, within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus of deficit.

Trade and other receivables are classified as loans and receivables.

Trade and either payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and Cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdraft and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement of redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Accounting Policies

1.5 Financial instruments (continued)

Impairment of financial assets

The municipality assess at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried amortised costs.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. The effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessor

The municipality recognises finance lease receivables on the statement of financial position.

Finance income is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate in the lease.

Accounting Policies

1.6 Leases (continued)

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases - lessor

Operating lease income is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset.

Any contingent rents are expensed in the period they are incurred.

1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.
Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Accounting Policies

1.7 Inventories (continued)

The cost of inventories is assigned using the weighted average formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.8 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
(a) the period of time over which an asset is expected to be used by the municipality; or
(b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses annually whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities
- income tax receipts or payments

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Recognition and measurement

If the recoverable amount of cash-generation asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revauled cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that it is a requirement in the Standard of GRAP.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

1.9 Impairment of cash-generating assets (continued)

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash- generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assess annually whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Accounting Policies

1.10 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.
The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset. The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.10 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Accounting Policies

1.11 Employee Benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected costs of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Council employees contribute to the Natal Joint Municipal Pension Fund. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry - managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Full actuarial valuations are performed annually. The last valuation was done on 31 March 2008.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the reporting date where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in the surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Accounting Policies

1.11 Employee Benefits (continued)

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the municipality is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimburse is recognised as a separate asset. The asset is measured at fair values. In all other respects, the assets is treated in the same way as plan assets. In the surplus and deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses, plus the present value of available refunds and reduction in future contribution to the plan.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees.
An annual charge to income is made to cover both these liabilities.

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event,
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Accounting Policies

1.12 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditure that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to the affected by it.

A restructuring provision includes only the direct expenditure arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised n business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in Note 35.

Accounting Policies

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when these inflows result in an increase in net assets, other than increases relating to contribution from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage to date as a percentage of total services to be performed.

1.13 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increase relating to contribution from owners.

fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Accounting Policies

1.14 Revenue from non-exchange transactions (continued)

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect to summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government Grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably;
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportional basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.14 Revenue from non-exchange transactions (continued)

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably;
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
  borrowing costs have been incurred; and
  activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and 1.110. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Extended periods is periods that exceeds 9 months.

Accounting Policies

1.16 Borrowing costs (continued)

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts each part is capable of being while construction continue son other parts, the entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Accounting Policies

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.21 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

Accounting Policies

1.24 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In term sof the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.25 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.26 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.27 Budget information

Municipalities are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purposes financial reporting by municipalities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The annual financial statements and the budget are on the same basis of accounting, therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

2. New standards and interpretations

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to operations:

IFRS 7 (AC 144) Financial Instruments: Disclosures

The effective date of the standard is for years beginning on or after 01 January 2007.

GRAP 5: Borrowing Costs

This Standard allows entities, in the exceptionally rare cases, to expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. This applies when it inappropriate to capitalise borrowing costs.

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirement of an entity directly to the nature of the expenditure to be funded i.e. capital or current. In such cases, an entity shall expense those borrowings costs related to a qualifying asset directly to the statement of financial performance.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires only prospective application of the Standard and only will apply to borrowing costs incurred on qualifying assets where the commencement date for capitalisation is on or after the effective date of the Standard.

The effective date of the standards is for years beginning on or after 01 July 2009.

The municipality had adopted the standard for the first time in the 2010 annual financial statements.

2. New standards and interpretations (continued)

GRAP 9: Revenue from Exchange Transactions

The definition of revenue in terms of Grap 9 incorporates the concept of service potential. Revenue is the gross inflow of economic benefits or service potential when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Entities may derive revenue from exchange or non-exchange transactions.

An exchange transaction is one in which the entity receives resources or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange.

Non-exchange revenue transaction is a transaction where an entity receives value from another entity without directly giving approximately equal value in exchange.

An entity recognises revenue when it is probable that economic benefits or services potential will flow to the entity, and the entity can measure benefits reliably.

GRAP 9 clarifies that this Standard only applies to revenue from exchange transactions.

Other than terminology difference, no affect on initial adoption of GRAP 9.

The following directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality had adopted the standard for the first time in the 2010 annual financial statements.

GRAP 12: Inventories

GRAP 12 includes the definition of current replacement costs as the cost the entity would incur to acquire the asset on the reporting date. GRAP 12 also includes the principal of service potential associated with the item that will flow to the entity as part of recognition criteria for inventories as well as the concept of goods purchased or produced for distribution at no charge for a nominal consideration, which is specific to the public sector.

Initial measurement is required at cost (an exchange transaction) and where inventories are acquired at no cost or nominal consideration (non-exchange transaction), their cost shall be their fair value at acquisition date.

Subsequent measurement shall be at lower of cost and net realisable value except if inventories are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

If the above applies then subsequent measurement shall be at the lower of cost or current replacement cost.

The retail method of measurement of cost is excluded from GRAP 12.

Accounting Policies

2. New standards and interpretations (continued)

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure inventories in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial implementation of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality had adopted the standard for the first time in the 2010 annual financial statements.

GRAP 13: Leases

GRAP 13 incorporates additional guidance on the concept of substance and legal form of a transaction, to illustrate the difference between leases and other contracts and on operating lease incentives.

in certain circumstances, legislation may prohibit the entering into certain types of lease agreements. If the entity has contravened these legislatives requirements, the entity is still required to apply the requirements of GRAP 13.

Other than the abovementioned requirements, there is no other impact on the initial adoption of GRAP 13.

The following directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment or the Standard on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality had adopted the standard for the first time in the 2010 annual financial statements.

GRAP 14: Events after the reporting date

An event, which could be favourable or unfavourable, that occurs between the reporting date and the date the annual financial statements are authorised for issue.

GRAP 14 requires the date of authorisation for issue is the date on which the annual financial statements have received approval from management to be issued to the executive authority or municipal council.

Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

An entity shall adjust the amounts recognised in its annual financial statements to reflect adjusting events after the reporting date.

An entity shall not adjust the amounts recognised in its annual financial statements to reflect non-adjusting events after the reporting date.

2. New standards and interpretations (continued)

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality had adopted the standard for the first time in the 2010 annual financial statements.

GRAP 16: Investment Property

Investment property includes property held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods and services, or the sale of an asset in the ordinary course of an entity's operations.

GRAP 16 states that the use of property to provide housing as a social service does not qualify as investment property even though rentals are earned.

At initial recognition, investment property is measured at cost including transaction costs. However, where an entity acquires investment property through a non-exchange transaction (i.e. Where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

After initial recognition, entities can carry investment property at either the fair value (fair value model) or cost less accumulated depreciation and accumulated impairment (cost model).

An entity is required to disclose the fair value of investment property if the cost model is used. When an entity carries investment properties at fair value, the fair value needs to be determined at every reporting date. Gains or losses arising from changes in fair value are included in surplus or deficit for the period in which they arise.

The following Directives also need to be considered:

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities are not required to measure investment properties in accordance with the requirements of the Standard for reporting periods beginning on or after the date within three years following the date of initiation adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality had adopted the standard for the first time in the 2010 annual financial statements.

GRAP 17: Property, Plant and Equipment

GRAP 17 does not require or prohibit the recognition of heritage assets but if an entity recognises heritage assets the entity needs to comply with GRAP 17 disclosure requirements.

Additional commentary has been included in to clarify the applicability of infrastructure assets to be recognised in terms of GRAP 17.

Where an entity acquires an asset through a non-exchange transaction, i.e. For a nominal or no consideration, its cost is its fair value as at the date of acquisition.

The disclosure requirement for temporary idle, fully depreciated property, plant and equipment and for property, plan and equipment that are retired from active use is required in GRAP 17 whereas IAS 16 only encourages this disclosure.

The following Directives also need to be considered:

2. New standards and interpretations (continued)

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, entities that applied the transitional provisions in the Standard of GAMAP on Property, Plant and Equipment may continue to take advantage of those transitional provisions until they expire. Entities are also not required to measure class of Property, Plant and Equipment in accordance with the requirements of the Standard for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality had adopted the standard for the first time in the 2010 annual financial statements.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

GRAP 19 excludes from its scope those provisions and contingent liabilities arising from social benefits for which it does not receive consideration that is approximately equal to the value of goods and services provided directly in return from the recipients of those benefits.

For the purpose of GRAP 19, social benefits refers to goods, services and other benefits provided in the pursuit of the social policy objective of a government. This Standard includes guidance on the accounting of these social benefits.

Outflow of resources embodying service potential also needs to be considered in when assessing if a present obligation that arises from past events exists or not.

The Standard includes accounting for obligations to make additional contributions to a fund. This is similar to the requirement of IFRIC5 (AC434).

GRAP 19 gives specific guidance regarding restructuring by way of transfers that will take place under a government directive and will not involve binding agreements. An obligation exists only when there is a binding transfer agreement.

Additional disclosure for each class of provision regarding reductions in the carrying amounts of provisions that result from payments or other outflows of economic benefits or service potential made during the reporting period and reductions in the carrying amounts of provisions resulting from remeasurement of the estimated future outflow of economic benefits or service potential, or from settlement of the provisions without cost to the entity.

If an external valuation is used to measure a provision the information relating to the valuation can usefully be disclosed.

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. However, where items have not been recognised as a result of transitional provisions under the Standard on Property, Plant and Equipment, the recognition requirements of the Standard on Provisions, Contingent Liabilities and Contingent Assets would not apply to such items until the transitional provisions in that Standard expire.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality had adopted the standard for the first time in the 2010 annual financial statements.

2. New standards and interpretations (continued)

GRAP 102: Intangible Assets

GRAP 102 excludes guidance on accounting for intangible assets acquired as part of an entity combination and in-process research and development costs acquired in an entity combination.

Recognition requirement includes the concept of the probable flow of service potential.

GRAP 102 distinguishes between impairment loss of cash generating an non-cash-generating assets.

Intangible assets acquired at no or for a nominal cost shall be measured on acquisition date at its fair value.

In GRAP 102 the identifiability criterion in the definition of an intangible asset has been expanded to include contractual rights arising from binding arrangements, and to exclude rights granted by statute.

additional guidance included in GRAP 102 to explain that distinction should be made between assets associated with the item of property, plant and equipment and the intangible asset.

Guidance on web site costs has been included in GRAP 102 from SIC Interpretation 32 Intangible Assets - Web Site Costs.

Guidance on intangible assets that may be acquired in exchange for non-monetary assets, where the exchange transaction lacks commercial substance has not been included in GRAP 102 as guidance to be included in GRAP 23.

GRAP 102 does not state "gains shall not be classified as revenue" as GRAP term "income" has a broader meaning than the term "revenue".

Directive 4 - Transitional provisions for medium and low capacity municipalities requires retrospective application of the Standard. Where entities have, on initial adoption of the Standard, accumulated depreciation and retained sufficient information about costs and the future economic benefits or service potential related to intangible assets that may have been expensed previously, those intangible assets should be recognised in accordance with the Standard. Entities are not required to measure intangible assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Intangible Assets.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality had adopted the standard for the first time in the 2010 annual financial statements.

IPSAS 21: Impairment of Non Cash-Generating Assets

The method of measurement of value in use of a non-cash-generating asset under this Standard is different to that applied to a cash generating asset.

asset should be measured by reference to the present value of the remaining service potential of the asset.

Determining value in use (present value of remaining service potential) of a non-cash-generating asset, may be the depreciated replacement cost approach, restoration cost approach and service units approach.

This standard does not require entities to apply an impairment test to property, plant and equipment carried at revalued amounts.

Accounting Policies

2. New standards and interpretations (continued)

This Standard does not include a decrease in market value significantly greater than would be expected as a result of the passage of time or normal use as a minimum indication of impairment.

This indication is included as an additional indication that impairment may exist.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality had adopted the standard for the first time in the 2010 annual financial statements.

IPSAS 20 : Related Party Disclosure

IPSAS 20 specifically excludes any consideration provided to key management personnel solely as a reimbursement for expenditure incurred by those individuals for the benefit of the reporting entity.

The effective date of the standard is for years beginning on or after 01 July 2009.

The municipality had adopted the standard for the first time in the 2010 annual financial statements.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2010 or later periods but are not relevant to its operations:

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 4 - Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions in the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 02 April 2011.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Accounting Policies

2. New standards and interpretations (continued)

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the entity.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amount for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with the Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts ;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the ' Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

Accounting Policies

2. New standards and interpretations (continued)

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it become applicable to the municipality's operations.

It is unlikely that standard will have material impact on the municipality's annual financial statements.

GRAP 103: Heritage Assets

Grap 103 defines heritage assets as assets which have cultural, environmental, historical, natural, scientific, technonoligal or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- It is possible that future economic benefits or service potential associated with the asset will to the Municipality; and
- The cost of fair value of the asset can be measured reliably.

The standard required judgement in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the less any subsequent impairment losses. The standard also states that any restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should be reflect both the asset's heritage value and value obtained from its use in the production or supply of goods and services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a valuation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of revaluation, the decrease should be in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Accounting Policies

2. New standards and interpretations (continued)

Grap 103 states that a heritage asset should not be depreciated but an entity should be assessed at each reporting date whether there is an indication of that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at the date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard.

If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change.
The entity treats any difference at that date between the carrying amount of the asset and it fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage assets should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

2. New standards and interpretations (continued)

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.
It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

3 . Property, plant and equipment

	2011 R			2010 R		
	Cost / Valuation	Accumulated depreciation	Carrying Value	Cost / Valuation	Accumulated depreciation	Carrying Value
Land	12 261 437	-	12 261 437	12 261 437	-	12 261 437
Buildings	27 826 400	(2 390 014)	25 436 387	21 375 855	(1 827 847)	19 548 008
Infrastructure	45 186 399	(8 680 083)	36 506 318	32 877 566	(7 317 034)	25 560 532
Heritage	128 080	-	128 080	128 080	-	128 080
Other assets	9 975 431	(3 614 402)	6 361 028	7 271 550	(3 094 003)	4 177 547
Total	95 377 747	-14 684 499	80 693 250	73 914 488	(12 238 884)	61 675 604

Reconciliation of property, plant and equipment - 2011

	Opening Balance	Additions	Assets under construction	Disposals	Classified as held for sale	Revaluations	Depreciation	Impairment loss	Total
Land	12 261 437	-	-	-	-	-	-	-	12 261 437
Buildings	19 548 008	2 771 649	4 141 135	-462 239	-	-	-562 166	-	25 436 387
Infrastructure	25 560 532	4 195 949	8 112 884	-	-	-	-1 254 327	-108 720	36 506 318
Heritage	128 080	-	-	-	-	-	-	-	128 080
Other assets	4 177 547	2 786 102	-	-167 426	194 243	187 678	-777 203	-39 913	6 361 028
	61 675 604	9 753 700	12 254 019	-629 665	194 243	187 678	-2 593 696	-148 633	80 693 250

Reconciliation of property, plant and equipment - 2010

	Opening Balance	Additions	Assets under construction	Disposals	Classified as held for sale	Revaluations	Depreciation	Impairment loss	Total
Land	13 224 821	-	-	-	(963 384)	-	-	-	12 261 437
Buildings	10 530 950	1 464 210	7 920 161	-	-	-	(338 616)	(28 697)	19 548 008
Infrastructure	19 479 360	4 664 605	3 181 219	-	-	156 330	(998 847)	(922 135)	25 560 532
Heritage	128 080	-	-	-	-	-	-	-	128 080
Other assets	3 717 625	1 578 672	-	(273 835)	(194 243)	151 636	(802 125)	(183)	4 177 547
	47 080 836	7 707 487	11 101 380	(273 835)	(1 157 627)	307 966	(2 139 588)	(951 015)	61 675 604

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.
Included in other assets is a switchboard which is subject to a finance lease as reflected in note 19.

	2011 R	2010 R

4 . Intangible assets

	2011			2010		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software, other	87 482	-53 060	34 421	72 996	(46 180)	26 816

Reconciliation of intangible assets - 2011

	Opening Balance	Additions	Disposals	Amortisation	Total
Computer software, other	26 816				26 816

Reconciliation of intangible assets - 2010

	Opening Balance	Additions	Disposals	Amortisation	Total
Computer software, other	39 360	9 554	(820)	(21 278)	26 816

5 . Non - current assets held for sale

The municipality has resolved to dispose off redundant non-current assets. The non-current assets are to be sold piecemeal. The following category of assets were held for sale at year end:

	2011	2010
Land	963 384	963 384
Motor vehicles	-	194 243
	963 384	1 157 627

6 . Other financial assets

	2011	2010
At fair value through surplus or deficit - designated		
Unlisted shares	266	266
NCT Forestry Co-Operative Limited		
Richmond Local Municipality previously conducted farming and forestry functions, therefore they were required to be a member of the Forestry Co-opt. These shares held, are non-transferable and do not accrue interest nor dividends. Should the municipality wish to cease their membership, the original cost of the shares will be refunded to the municipality.		
Loans and receivables		
Umgungundlovu District Municipality		
The Richmond Local Municipality's water and sanitation services had being transferred to the district municipality during the transfer of functions and powers in the 2003/04 financial year. This transfer included a loan balance in favour of DBSA relating to water and sanitation assets. Although the loan is in the name of Richmond Local Municipality, payments of this loan is made by the Umgungundlovu District Municipality.	77 093	89 757
Total other financial assets	77 359	90 023
Non-current assets		
At fair value through surplus or deficit - designated	266	266
Loans and receivables	59 542	77 390
	59 808	77 656
Current assets		
Loans and receivables	17 551	12 367
	77 359	90 023

Fair value information

Financial assets at fair value through surplus or deficit are recognised at fair value, which is therefore equal to their carrying amounts.

The municipality has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

There were no gains or losses realised on the disposal of held to maturity financial assets in 2011 and 2010, as all the financial assets were disposed of at their redemption date.

Fair values of loans and receivables

	2011	2010
Umgungundlovu District Municipality The fair value is determined by using the face value of the capital outstanding.	77 093	89 757

7 . Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:
2011

	Loans and receivables	Total
Trade and other receivables	6 635 566	6 635 566
Cash and cash equivalents	36 386 170	36 386 170
	43 021 736	43 021 736

The accounting policies for financial instruments have been applied to the line items below:
2010

	Loans and receivables	Total
Trade and other receivables	7 672 226	7 672 226
Cash and cash equivalents	43 363 732	43 363 732
	51 035 958	51 035 958

8 . Operating lease asset (accrual)

	2011	2010
Current Liabilities	(184 075)	(145 495)

Vacant land is being leased from the Ingonyama Trust Board, on which community halls have been constructed by the Richmond Local Municipality. The lease period is 40 years with an escalation of 10% per annum. The lease rental over the contracted period is smoothed over the period of lease. The difference between the smoothed rental and the rental paid during the year is raised as an operating lease accrual/asset.

	2011 R	2010 R

9. Retirement benefits

Defined benefit plan

Post retirement medical aid plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes (Bonitas, Hosmed, Keyhealth, LA Health and SAMWU), most of which offer a range of options pertaining to levels of cover. The post employment Health care benefit actuarial valuation was conducted by ARCH Actuarial Consulting.
Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme
Eligible In-service employees will receive a post-employment subsidy 60% of the contribution payable should they be a member of a medical scheme at retirement. All continuation members receive a 60% subsidy. Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy

Movement in the defined benefit obligation:

	2011 R	2010 R
Balance at the beginning of the year	3 380 504	3 149 910
Current-service cost	261 557	245 814
Interest cost	308 963	278 545
Contributions (benefits paid)		(91 632)
Actuarial loss/ (gain)	(101 460)	(202 133)
Balance at end of the year	3 849 564	3 380 504

Net expense recognised in the statement of financial performance

	2011 R	2010 R
Balance at the beginning of the year		
Current-service cost	261 557	245 814
Interest cost	308 963	278 545
Actuarial (gains) losses	-	(202 133)
Benefit Payments	(101 460)	(91 632)
Total (Included in employee benefits expense) Note 28	469 060	230 594

Key assumptions used

	2011	2010
Assumptions used on last valuation on 30 June 2010.		
Average retirement age	63	63
Discount rates used	9.28%	9.28%
Health care cost inflation rate	7.35%	7.35%
Net effective discount rate	1.80%	1.80%
Continuation of membership at retirement	100.00%	100.00%
Proportion assumed married at retirement	100.00%	100.00%
Proportion of eligible non-members joining the scheme by retirement	50.00%	50.00%

Other assumptions:
Mortality during employment - In accordance with the SA 85-90 ultimate table
Mortality post-retirement - In accordance with the PA90-1 ultimate table

Percentage of in-service members withdrawing before retirement

Age	Female	Male
20	24%	16%
25	18%	12%
30	15%	10%
35	10%	8%
40	6%	6%
45	4%	4%
50	2%	2%
>55	0%	0%

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.
The municipality is under no obligation to cover any unfunded benefits.

10. Inventories

	2011 R	2010 R
Stationery	30 212	50 716
Fuel (Diesel, Petrol and Oil)	141 499	62 046
	171 710	112 762

Inventory is carried at the lower of cost or net replacement value.

11. Trade and other receivables from exchange transactions

	2011 R	2010 R
Trade debtors	49 752	205 390

12. Other receivables from non-exchange transactions

	2011 R	2010 R
Other debtors	3 102 002	2 442 974
Umgungundlovu District Municipality	156 136	739 941
Deposit	6 700	4 700
	3 264 838	3 187 615

Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Fair value of other receivables from non-exchange transactions

	2011 R	2010 R
Other receivables from non-exchange transactions	**3 264 838**	**3 187 615**

The fair value is determined by using the face value of the capital outstanding.
Other receivables from non-exchange transactions impaired
The amount of the provision was (219 077) as of 30 June 2011 (2010: (263 184)).

	2011 R	2010 R

13 . VAT receivable

VAT	1 057 280	1 879 841

VAT is payable on the payments basis. Only once payment is received from debtors is VAT paid over to South African Revenue Services

14 . Consumer debtors

	2011	2010
Gross balances		
Rates	3 541 022	4 279 221
Prepayment	(220 046)	-
Refuse	8 870	1 440
Prepayment	(5 767)	-
	3 324 080	4 280 661
Less: Provision for bad debts		
Refuse	(3 104)	(1 440)
Net balance		
Rates	3 320 976	4 279 221
Rates		
Current (0 -30 days)	(180 178)	23 234
31 - 60 days	156 121	572 800
61 - 90 days	125 598	182 617
91 - 120 days	174 848	169 336
121 - 365 days	3 044 587	3 331 234
	3 320 976	4 279 221
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	(74 338)	38 618
31 - 60 days	79 907	81 476
61 - 90 days	59 556	66 756
91 - 120 days	56 622	55 509
121 - 365 days	1 237 386	1 191 533
	1 359 133	1 433 892
Industrial/ commercial		
Current (0 -30 days)	58 554	62 775
31 - 60 days	64 915	419 228
61 - 90 days	63 371	74 388
91 - 120 days	59 871	74 187
121 - 365 days	1 276 037	721 698
	1 522 748	1 352 276
National and provincial government		
Current (0 -30 days)	10 240	20 549
31 - 60 days	6 067	91 676
61 - 90 days	2 014	82 899
91 - 120 days	108	82 899
121 - 365 days	187 790	1 237 425
	206 219	1 515 448
Less: Provision for debt impairment		
Current (0 -30 days)	(4 449)	(1 980)
31 - 60 days	920	(2 001)
61 - 90 days	805	(890)
91 - 120 days	755	(870)
121 - 365 days	5 072	4 301
	3 104	(1 440)

Reconciliation of bad debt provision

	2011	2010
Balance at beginning of the year	(1 440)	(4 231)
Reversal of provision	(1 664)	2 791
	(3 104)	(1 440)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Fair value of consumer debtors

	2011	2010
Consumer debtors	3 541 022	4 279 221

The fair value is determined by using the face value of the capital outstanding.
Consumer debtors impaired
As of 30 June 2011, consumer debtors of 3 104 (2010: 1 440) were impaired and provided for.
The amount of the provision was 3 104 as of 30 June 2011 (2010: 1 440).

	2011 R	2010 R

15 . Cash and cash equivalents

Cash and cash equivalents consist of:

	2011 R	2010 R
Cash on hand	3 200	2 200
Bank balances	1 752 792	12 615 370
Short-term deposits	34 630 178	30 746 162
	36 386 170	43 363 732

The municipality had the following bank accounts

Account number / description	Bank statement balances 2011/06/30	2010/06/30	2009/06/30		Cash book balances 2011/06/30	2010/06/30	2009/06/30
FNB - Call Account - Acc. no.: 61356002695	1 613 217	4 408 805	9 639 323	55	1 613 217	4 408 805	9 639 323
FNB - 32 day - Acc. No.: 74092537347	-	28 211	56 977	56	-	28 211	56 977
FNB - Call Account - Acc. no.: 62069911545	-	-	72 590	58	-	-	72 590
FNB - Call Account - Acc. No.: 62117170407	168 321	195 567	423 514	57	168 321	195 567	423 514
FNB - Call Account - Acc. no.: 62134473280	216 759	206 792	196 023	22	216 759	206 792	196 023
FNB - Call Account - Acc. no.: 62155682844	319 268	417 914	2 042 299	23	319 268	417 914	2 042 299
FNB - Call Account - Acc. no.: 62155684882	-	30 547	28 967	24	-	30 547	28 967
FNB - 32 day Call Account - Acc. no.: 62176174383	818 112	780 497	1 755 634	25	818 112	780 497	1 755 634
FNB - 32 day Call Account - Acc. no.: 62202088333	167 125	391 178	529 608	26	167 125	391 178	529 608
FNB - Call Account - Acc. no.: 62202088614	-	1 786 293	4 245 381	27	-	1 786 293	4 245 381
ABSA - 32 day Call Account - Acc. no.: 2066719815	-	-	2 484 065	28	-	-	2 484 065
ABSA - 32 day Call Account - Acc. no.: 2066719823		-	2 157 891	29		-	2 157 891
Standard Bank - 32 day Call Account - Acc. no.: 258544805			-	30			-
FNB - Call account Acc. no.: 62241817537	905 967	1 601 081	-	31	905 967	1 601 081	-
FNB - Call account Acc. no.: 62241817727	243 990	362 691	-	32	243 990	362 691	-
ABSA - 32 day Acc. no.: 2070322014	-	1 351 356	-	33	-	1 351 356	-
ABSA - 32 day Acc. no.: 7032-1898	-	824 170	-	35	-	824 170	-
ABSA - 32 day Acc. no.: 2070321961	-	8 361 060	-	36	-	8 361 060	-
ABSA - 32 day Acc. no.: 2070454318	-	10 000 000	-	37	-	10 000 000	-
FNB - 32 day Acc. No.: 74316220834	744 291	-		164	744 291	-	
FNB - 32 day Acc. No.: 74248816230	15 000 000	-		165	15 000 000	-	
FNB - 32 day Acc. No.: 62299629116	2 935 949	-		166	2 935 949	-	
Nedbank - Daily Call Acc No.: 7165013946-001	11 497 179	-		167	11 497 179	-	
	34 630 178	30 746 162	23 632 272		34 630 178	30 746 162	23 632 272

16 . Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2011

	2011 R	2010 R
Opening balance	229 072	229 072
Interest earned	9 966	9 966
	239 038	239 038

Ring-fenced internal funds and reserves within accumulated surplus - 2010

	2011 R	2010 R
Opening balance	218 435	218 435
Interest earned	10 637	10 637
	229 072	229 072

17 . Housing development fund

	2011 R	2010 R
Unappropriated surplus	239 038	225 690

The housing development fund is represented by the following assets and liabilities

	2011 R	2010 R
Trade and other receivables	1 916 263	1 243 865
Bank and cash	514 231	911 241
Assets	2 430 494	2 155 106
Trade and other payables	2 191 456	1 929 416
Total Housing Development Fund Assets and Liabilities	239 038	225 690

The housing development fund is cash backed and the funds is invested into a 32 day call deposit accounts. Part of the funding is included in the municipality's main account.

	2011 R	2010 R

18 . Other financial liabilities

	2011 R	2010 R
Held at amortised cost		
DBSA This loan relates to water and sanitation assets. The loan was transferred to the Umgungundlovu District Municipality together with the water and sanitation assets. The loan is in the name of Richmond Local Municipality, however the payments is made by the District municipality.	77 093	89 757
Non-current liabilities		
At amortised cost	59 542	77 390
Current liabilities		
At amortised cost	17 551	12 367
	77 093	89 757

The fair value is determined by using the face value of the capital outstanding as determined by the financial institutions

19 . Finance lease liability

	2011 R	2010 R
Amounts payable under finance leases		
Within one year	33 588	0
Within two to five years	66 430	0
	100 018	0
Less: Amount due for settlement within 12 months (current portion)	-20 850	0
	79 168	0
Present value of minimum lease payments		
Within one year	22 537	0
Within two to five years	56 631	0
	79 168	0

The average lease term is three years and the average effective borrowing rate is 15.96%. Interest rates are fixed at the contract date. The lease has a fixed repayment term. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the lease asset.

20 . Unspent conditional grants and receipts

	2011 R	2010 R
Unspent conditional grants and receipts comprises of:		
Free Basic Electricity		
Free Basic Services	59 831	1 180 107
Department of Environment Affairs	-	-
National Treasury	-	1 957
Vuna Awards	460 617	1 149 011
Department of Arts and Culture	-	-
Gijima	-	-
Department of Minerals and Energy	-	26 547
Department of Human Settlement	-	283 700
Municipal Infrastructure Grant	2 191 456	1 642 335
Department of Cooperative Governance and Traditional Affairs	2 412 042	1 787 390
Small Town Regeneration	513 095	879 723
	10 106 473	18 713 170
Movement during the year	15 743 515	25 663 939
Balance at the beginning of the year	25 663 940	10 283 013
Additions during the year	13 834 347	54 604 110
Income recognition during the year	(23 751 692)	(39 223 183)
	15 746 595	25 663 940

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; and
Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.
See note 23 for reconciliation of grants from National/Provincial Government
These amounts are invested in a ring-fenced investment until utilised.
Refer to appendix F for further details on grant and subsidies.

21 . Provisions

Reconciliation of provisions - 2011

		Opening Balance	Additions	GRAP Implementation	Total
Environmental rehabilitation	169	2 561 299	256 130	-	2 817 429

This is the first year the cost to rehabilitate the municipality's landfill site was assessed. The assessment was conducted by SSI Engineers & Environmental Consultants. The landfill site is expected to be fully operational until 2015 and it is assumed that rehabilitation will only take place thereafter.

22 . Trade and other payables from exchange transactions

	2011 R	2010 R
Trade payables		
Umgungundlovu District Municipality	1 883 049	1 262 241
Leave provisions	-	
Deposits received	1 010 458	802 964
Audit Fees	18 739	22 576
Retentions	-	0
Sundry creditors	1 585 933	1 196 788
	2 526 760	3 393 927
	7 024 939	6 678 496

	2011 R	2010 R

23 . Property Rates

	2011 R	2010 R
Rates received		
Residential	5 137 436	4 172 096
	5 137 436	4 172 096
Property rates - penalties imposed and collection charges	453 820	547 703
	5 591 256	4 719 799

	2011 R	2010 R
Valuations		
Residential	343 810 000	390 627 000
Commercial	113 069 000	127 512 000
Government and public entity	203 146 000	214 108 000
Municipal	59 928 000	59 163 000
Small holdings and farms	778 806 000	701 617 000
	1 498 759 000	1 493 027 000

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2008. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.
Different rate randage are charged for the various categories of ratepayers. No additional rebates were granted to any categories of ratepayers except for any exemptions and compulsory phasing-in of certain rates as contained in Council's approved Rates Policy. Pensioners were granted rebates according to a standard formula as contained in Council's approved Rates Policy.
Rates are levied monthly in ten (10) equal instalment payable on the 30 September 2010 with the final date for payment being 30 June 2011 (30 June 2010). Interest at 18% per annum (2010: 18%) and a collection fee of 10% (2010: 10%), is levied on rates outstanding as at 01 May 2011 for annual rates and 01 June 2011 for monthly rates.

The new general valuation was implemented on 01 July 2009.

24 . Service charges

	2011 R	2010 R
Refuse removal	1 137 628	1 040 465

25 . Government grants and subsidies

	2011 R	2010 R
Equitable share	20 834 558	16 165 537
Council support grant	849 000	763 000
Scholar patrol grant	21 851	31 801
Lotto -	-	-
Financial management grant	2 122 666	1 478 607
MSIG	815 728	607 381
Municipal infrastructure grant	9 020 348	9 550 610
Municipal assistance programme	295 591	81 188
Free basic service	-	828 260
Free basic electricity	1 120 276	2 120 977
Public participation	-	-
Clean town	-	-
National lotto	-	-
Department of Human Settlement	1 322 467	2 742 798
Department of Cooperative Governance and Traditional Affairs	10 037 569	4 853 024
	46 440 054	39 223 183

Equitable Share
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of council rates policy, an annual subsidy of 7,641 was received by qualifying applicants.

Free Basic Electricity	2011 R	2010 R
Balance unspent at beginning of year	1 180 107	2 120 977
Current-year receipts	(1 120 276)	-
Conditions met - transferred to revenue		(940 870)
Conditions still to be met - remain liabilities (see note 20)	59 831	1 180 107

These are funds set aside by the municipality to subsidies future free basic electricity for qualifying indigents.

Free Basic Services	2011 R	2010 R
Balance unspent at beginning of year	-	94 316
Current-year receipts	-	828 260
Conditions met - transferred to revenue	-	(922 576)
Conditions still to be met - remain liabilities (see note 20)	-	-

Department on Environmental Affairs	2011 R	2010 R
Balance unspent at beginning of year	1 957	45 725
Conditions met - transferred to revenue	(1 957)	(43 768)
Conditions still to be met - remain liabilities (see note 20)	-	1 957

Funds to be used to purchase refuse recipitals to be place at strategic points in the Richmond CDB.

National Treasury	2011 R	2010 R
Balance unspent at beginning of year	1 149 011	424 519
Current-year receipts	2 250 000	3 235 000
Conditions met - transferred to revenue	(2 935 314)	(2 510 508)
Other		
Conditions still to be met - remain liabilities (see note 20)	460 617	1 149 011

These funds are to be used for the updating of the municipality's financial policies, financial management system and fixed asset register to comply with the new GRAP standards
The municipality has appointed services providers for some of the above projects and is the process of appointing service providers to assist with the outstanding projects.

25 . Government grants and subsidies (continued)

	2011 R	2010 R
Vuna Awards		
Balance unspent at beginning of year	-	89 394
Conditions met - transferred to revenue	-	(89 394)
Conditions still to be met - remain liabilities (see note 20)	-	-

	2011 R	2010 R
Department of Arts and Culture		
Balance unspent at beginning of year	-	114
Conditions met - transferred to revenue	-	(114)
Conditions still to be met - remain liabilities (see note 20)	-	-

	2011 R	2010 R
Gijima		
Balance unspent at beginning of year	26 547	28 967
Current-year receipts	101 415	-
Conditions met - transferred to revenue	(127 962)	(3 751)
Other		1 331
Conditions still to be met - remain liabilities (see note 20)	-	26 547

The funds will be utilised upon the finalisation of the closeout report by Gijima(DED).

	2011 R	2010 R
Department of Minerals and Energy Affairs		
Balance unspent at beginning of year	283 700	283 700
Current-year receipts		
Conditions met - transferred to revenue	(283 700)	
Conditions still to be met - remain liabilities (see note 20)	-	283 700

Eskom is currently engaged to assist with the connection of electrical power supply to residential properties.

	2011 R	2010 R
Department of Human Settlement		
Balance unspent at beginning of year	1 642 335	2 637 141
Current-year receipts	915 491	1 586 960
Conditions met - transferred to revenue	(1 038 767)	(2 746 180)
Other	672 398	164 414
Conditions still to be met - remain liabilities (see note 20)	2 191 456	1 642 335

Housing projects are still work-in-progress. Funds will be fully utilised on the completion of these projects.

	2011 R	2010 R
Municipal Infrastructure Grant		
Balance unspent at beginning of year	1 787 390	3 278 890
Current-year receipts	9 645 000	11 338 000
Conditions met - transferred to revenue	(9 020 348)	(12 829 500)
Conditions still to be met - remain liabilities (see note 20)	2 412 042	1 787 390

Projects are work-in-progress and covers a multi-fiscal year.

	2011 R	2010 R
Department of Cooperative Governance and Traditional Affairs and District Municipality		
Balance unspent at beginning of year	879 723	1 279 270
Current-year receipts	79 605	-
Conditions met - transferred to revenue	(446 232)	(399 547)
		-
Conditions still to be met - remain liabilities (see note 20)	513 095	879 723

Waiting for the finalisation of projects as per business plans.

	2011 R	2010 R
Small Town Regeneration		
Opening balance	18 713 170	
Current-year receipts	0	19 130 000
Conditions met - transferred to revenue	(9 427 684)	(473 637)
Other	820 987	56 807
Conditions still to be met - remain liabilities (see note 20)	10 106 473	18 713 170

The projects have being advertised and the SCM process is still in progress.

26 . Other income

	2011 R	2010 R
Grant from District Municipality	-	69 041
Management fee	72 600	66 000
Impound - Motor Vehicles	4 726	3 800
Impound - Animals	5 044	20 221
Refuse dumping fees	1 134	923
Hall hire	34 450	30 807
Insurance claims	137 274	-
Re-imbursive costs	94 375	80 367
SETA refund	28 851	52 969
Tender deposit	55 233	95 198
Sundry Income	45 879	74 417
Rental of equipment	3 180	1 100
	482 748	494 842

	2011 R	2010 R
27 . General expenses		
Advertising	191 221	205 909
Auditors remuneration	405 754	377 316
Bank charges	53 810	43 986
Cleaning	52 731	37 483
Consulting and professional fees	561 343	48 222
Entertainment	37 092	18 759
Insurance	243 800	184 408
Conferences and seminars	52 415	9 622
Lease rentals on operating lease	426 131	780 412
Marketing	81 455	113 384
Motor vehicle expenses	73 905	45 386
Fuel and oil	674 335	537 088
Postage and courier	50 191	21 828
Printing and stationery	179 417	96 876
Promotions	-	14 165
Subscriptions and membership fees	1 892	9 525
Telephone and fax	214 048	242 750
Electricity	753 042	478 657
Tourism development	-	-
Government grant expenditure	6 909 943	8 708 340
Other expenses	1 835 599	1 152 887
	12 798 123	13 127 003

	2011 R	2010 R
28 . Employee related costs		
Basic	8 300 988	7 632 110
Bonus	624 823	454 935
Medical aid - company contributions	719 421	615 641
UIF	102 667	82 478
WCA	101 075	99 187
SDL	132 894	108 492
Other payroll levies	-	-
Pension	1 259 346	991 437
Post-employment benefits - Pension - Defined contribution plan	469 060	230 594
Travel, motor car, accommodation, subsistence and other allowances	124 192	80 000
Overtime payments	404 487	397 302
Housing benefits and allowances	778 744	569 516
Uniforms	92 487	136 475
Levies	4 884	4 497
	13 115 069	11 402 663

There were no advances/loans to employees.

	2011 R	2010 R
Remuneration of Municipal Manager		
Annual Remuneration	583 711	492 260
Housing allowance	18 000	-
Car Allowance	120 000	119 000
Contributions to UIF, Medical and Pension Funds	18 289	44 482
	740 000	655 742
Remuneration of Chief Financial Officer		
Annual Remuneration	475 452	410 456
Car Allowance	36 000	36 000
Contributions to UIF, Medical and Pension Funds	88 548	73 544
	600 000	520 000
Strategic Manager Corporate Services		
Annual Remuneration	487 014	372 717
Car Allowance	60 000	15 000
Contributions to UIF, Medical and Pension Funds	52 986	20 090
	600 000	407 807
Strategic Manager Community Services		
Annual Remuneration	465 895	317 209
Car Allowance	63 000	96 000
Contributions to UIF, Medical and Pension Funds	71 105	74 291
	600 000	487 500
Strategic Manager Technical Services		
Annual Remuneration	486 989	386 152
Car Allowance	30 500	36 000
Contributions to UIF, Medical and Pension Funds	82 511	97 848
	600 000	520 000
TOTAL	16 255 069	13 993 712

	2011 R	2010 R
29 . Remuneration of Councillors		
Mayor	570 336	544 358
Deputy Mayor	265 297	242 661
Mayoral Committee Members	249 744	228 161
Speaker	265 297	242 661
Councillors	1 693 668	1 519 596
	3 044 342	2 777 437

In-kind benefits

The Mayor is full-time and is provided with an office and secretarial support at the cost of the Council.
The Mayor has use of a Council owned vehicle for official duties.
The Mayor has one full-time bodyguard and a full time driver . The Deputy Mayor has one full-time bodyguard/driver.
The Mayor certifies that the councillor's allowance were in line to the framework of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998).

	2011 R	2010 R
Councillors arrears in respect of rates and service charges (S.124 MFMA Disclosure)	-	-

	2011 R	2010 R
30 . Depreciation and amortisation		
Property, plant and equipment	2 600 577	3 111 878

	2011 R	2010 R
31 . Finance costs		
Borrowings	283	-
32 . Auditors' remuneration		
Fees	405 754	377 316
33 . Grants and subsidies paid		
Other subsidies		
Museum subsidy	93 582	44 520

items and artefacts are on display at the museum. This attracts local and foreign tourist. The grant is to assist with the day to-day operations of the museum.

34 . Cash generated from operations

	2011 R	2010 R
Surplus	18 835 604	15 845 813
Adjustments for:		
Depreciation and amortisation	2 600 577	3 111 878
Gain on sale of non-current assets and disposal groups	(78 109)	192 934
Finance costs	283	-
Impairment	148 634	-
Movements in operating lease assets and accruals	117 747	39 097
Actuarial gains/losses	469 060	230 594
Provision for rehabilitation	256 130	2 561 299
Changes in working capital:		
Inventories	(58 948)	(9 462)
Trade and other receivables from exchange transactions	155 638	(173 548)
Other receivables from non-exchange transactions	(44 555)	361 496
Consumer debtors	840 612	(1 718 596)
Trade and other payables from exchange transactions	(3 839 171)	3 649 196
VAT	822 561	(1 582 364)
Unspent conditional grants and receipts	(9 920 424)	15 380 927
	10 305 639	37 889 264

35 . Commitments

Authorised capital expenditture
Already contracted for but not provided for

	2011 R	2010 R
Property, plant and equipment	4 543 100	3 369 327

The municipality currently has five housing projects in progress, namely Siyathuthuka Phase 1 and Phase 2, Zwelethu, Patheni, Inhlazuka housing and projects financed from the Municipal Infrastructure Grant.
This committed expenditure relates to property, plant and equipment and will be financed by grants and subsidies received from National and Provincial Government.

Operating leases – as lessee (expense)
Minimum lease payments due

	2011 R	2010 R
- within one year	6 247	158 440
- in second to fifth year inclusive	31 891	28 992
- later than five years	1 709 764	1 718 910
	1 747 902	1 906 342

Operating lease payments represent rentals payable by the municipality for certain of its Land. The land is negotiated for a term of 40 years with an escalation of 10%. Contingent rent is payable based on number of copies made and excess mileage.

Operating leases – as lessor (income)
The municipality leased vacant land to a property developer whom has developed a shopping complex. The lease agreement has a term of 70 years. There are no contingent rents receivable. Due to the financial difficulties experienced by the lessee, the lease rental was renegotiated by the lessee and the municipality. The municipality has granted the lessee a relief period of 12 to 24 months to pay an agreed lower rental, linked to turnover. Thereafter, the terms and conditions of the original agreements will apply. Due to the changes of the original agreement and economic activities in Richmond town, rentals with be recognised when the lessee is invoiced and will not be smooth over the period of the lease.

36 . Contingencies

Council provided letters of suretyship to financial institutions to assist staff members to obtain home loans. These sureties were provided prior to the introduction of the Municipal Finance Management Act. The sureties ensure that the municipality complies with section 164 (2) of the Municipal Finance Management Act.
These amounts have been secured against the staff member's pension/provident funds by means of written agreements which are lodged with the Kwa-Zulu Natal Joint Municipal Pension/Provident Fund. Copies are maintained on the Staff members personal files.

Name of staff member	2011 R	2010 R
BV Rajoo	10 000	10 000
BG Kunene	12 000	12 000
	22 000	22 000

37 . **Prior period adjustments**

The correction of the prior period adjustments results as follows:

Statement of financial position		
Inventory	-	3 378
Opening Accumulated Surplus or Deficit	-	(3 378)
Statement of financial performance		
Rates	105 659	-
Refuse	(3 246)	-
Other income	23 078	-
Sale of assets	442	-
Electricity	162 567	108 032
Workman's compensation	-	9 908
Landfill site	-	5 539
Training	-	4 108
Salaries	(80 044)	-
Printing and Stationery	7 888	-
IT Services	7 889	-
Maintenance	32 645	-
Lease of Vehicles	8 502	-
Licences	42 346	-
Audit Fees	(394 730)	

38 . **Risk management**

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.
The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.
The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.
Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.
The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.
No credit limits were exceeded during the reporting period, and management does not expect any deficits from non-performance by these counterparties.
Financial assets exposed to credit risk at year end were as follows:

39 . **Going concern**

We draw attention to the fact that at 30 June 2011, the municipality had accumulated surplus of 96 463 403 and that the municipality's total assets exceed its liabilities by 96 463 403.
The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

40 . **Events after the reporting date**

There is no matters or events arising after the reporting date:

41 . **Unauthorised, irregular, fruitless and wasteful expenditure**

41.1 **Unauthorised expenditure**

Reconciliation of unauthorised expenditure

Opening balance		
Unauthorised expenditure current year	-	-
Approved by council or condoned	-	-
Transfer to receivables for recovery	-	-
Unauthorised expenditure awaiting authorisation	-	-
	-	-

41.2 **Irregular expenditure**

	-	-

Reconciliation of irregular expenditure

Opening balance		
Irregular expenditure current year	-	-
Condoned or written off by Council	-	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting condonement	-	-
	-	-

41.3 **Fruitless and wasteful expenditure**

Reconciliation of irregular expenditure

Opening balance		
Fruitless and wasteful expenditure current year	-	-
Condoned or written off by Council	242	-
To be recovered - contingent liability (see note 46)	-	-
Fruitless and wasteful expenditure awaiting condonment	(242)	-
	-	-

The fruitless and wasteful expenditure was incurred as a result of the late payment for municipal vehicle licence which has since been recovered.
There are no other incidents of fruitless and wasteful expenditure to report on in 2010/11 that we are aware of.

42 . **Reconciliation between budget and statement of financial performance**

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

Net surplus per the statement of financial performance		
Adjusted for:	19 040 874	15 882 424
Gain on the sale of assets		
decrease in provisions	(78 109)	535 934
Decrease in Revenue	-	(250 807)
Decrease in Expenditure	5 778 178	6 833 953
Net surplus per approved budget	(1 753 340)	(797 747)
	22 987 603	22 203 757

43 . **Additional disclosure in terms of Municipal Finance Management Act**

Contributions to organised local government

Current year subscription / fee		
Amount paid - current year	100 000	57 536
Balance unpaid (included in creditors)	(100 000)	(57 536)
	-	-

Audit fees

Current year fee		
Amount paid - current year	405 754	352 654
Balance unpaid (included in creditors)	(405 754)	(352 654)
	-	-

PAYE and UIF

Current year subscription / fee		
Amount paid - current year	2 461 967	1 969 763
Balance unpaid (included in creditors)	(2 461 967)	(1 969 763)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee		
Amount paid - current year	3 705 716	3 264 860
Balance unpaid (included in creditors)	(3 705 716)	(3 264 860)
	-	-

VAT

VAT receivable	1 057 280	1 879 841

VAT output payables and VAT input receivables are shown in note .
All VAT returns have been submitted by the due date throughout the year.

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Total amount considered		
Total amount condoned	631 050	699 007
Deviations awaiting authorisation	(631 050)	(699 007)
	-	-

44 . **Actual operating expenditure versus budgeted operating expenditure**

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure

45 . **Actual capital expenditure versus budgeted capital expenditure**

Refer to Appendix B for the comparison of actual operating expenditure versus budgeted expenditure

46 . **Contigent asset**

In respect of the fruitless and wasteful expenditure referred to in note 41.3 the amount of R 242 was recovered from the employee concerned in in July 2011.

	242	-
	242	-

Notes to the Annual Financial Statements

44 Statement of comparative and actual information
2011

	Original Budget	Budget Adjustment (i.t.o s28 and s31 of the MFMA)	Virement (i.t.o Council approved)	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of final budget	Actual Outcome as % of original budget
Capital expenditure and funds sources									
Sources of capital funds									
Transfers recognised - capital	21 564 000	23 273 528		23 273 528	18 880 516	-	4 393 012	81%	88%
Internally generated funds	3 171 600	3 330 680		3 330 680	3 149 495	-	181 185	95%	99%
Total sources of capital funds	24 735 600	26 604 208	-	26 604 208	22 030 011	-	4 574 197	83%	89%
Cash flows									
Net cash from (used) operating	25 121 000	27 901 000		27 901 000	10 305 639	-	17 595 361	37%	41%
Net cash from (used) investing	-23 670 000	-26 212 000		-26 212 000	-17 260 169	-	-8 951 831	66%	73%
Net cash from (used) financing				-		-	-	100%	100%
Cash/cash equivalent at the year end	1 451 000	1 689 000	-	1 689 000	-6 954 530	-	8 643 530	-412%	-479%

44 Statement of comparative and actual information 2011

	Original Budget	Budget Adjustment (i.t.o s28 and s31 of the MFMA)	Virement (i.t.o Council approved)	Final Budget	Actual Outcome	Unauthorised Expenditure	Variance	Actual Outcome as % of final budget	Actual Outcome as % of original budget
Financial Performance									
Property rates	4 800 000	4 800 000	-	4 800 000	5 137 436	-	-337 436	107%	107%
Service charges	1 050 390	1 050 390	-	1 050 390	1 137 628	-	-87 238	108%	108%
Investment revenue	1 050 000	1 450 000	-	1 450 000	1 390 269	-	59 731	96%	132%
Transfer recognised - operationals	24 026 000	27 232 475	-	27 232 475	46 440 054	-	-19 207 579	171%	193%
Other own revenue	6 948 515	6 301 115	-	6 301 115	3 898 614	-	2 402 501	62%	56%
Total revenue (excluding capital transfer and contributions)	**37 874 905**	**40 833 980**	-	**40 833 980**	**58 004 001**	-	**-17 170 021**	142%	153%
Employee cost	18 421 405	16 786 587	-	16 786 587	16 255 069	-	531 518	97%	88%
Remuneration of councilors	3 178 430	3 099 430	-	3 099 430	3 044 342	-	55 088	98%	96%
Depreciation and asset impairment	4 422 690	3 884 478	-	3 884 478	2 600 577	-	1 283 901	67%	59%
Transfers and grants	79 980	99 980	-	99 980	93 582	-	6 398	94%	117%
Other expense	33 296 398	40 197 629	-	40 197 629	16 899 033	-	23 298 596	42%	51%
Total expenditure	**59 398 903**	**64 068 104**	-	**64 068 104**	**38 892 603**	-	**25 175 501**	61%	65%
Surplus/(Deficit)	**-21 523 998**	**-23 234 124**	-	**-23 234 124**	**19 111 399**	-	**-42 345 522**	-82%	-89%
Transfer recognised - capital	21 524 000	23 273 528	-	23 273 528	38 892 603	-	25 175 501	167%	181%
Surplus (Deficit) after capital transfer and contributions	2	39 404	-	39 404	58 004 001	-	-17 170 021	147202%	2900200056%
Surplus/(Deficit) for the year	2	39 404	-	39 404	58 004 001	-	-17 170 021	147202%	2900200056%

APPENDIX A
RICHMOND LOCAL MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2010	Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
Development Bank of South Africa							
DBSA	8.80%	25765	30/06/2014	89 758	-	17 551	72 208
				89 758	**-**	**17 551**	**72 208**

This supplementary information presented does not form part of the annual financial statements and is unaudited

APPENDIX B
RICHMOND LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

	Opening Balance	Additions	Fair value	Under Construction written off	Disposals	Under Construction added for the year	Closing Balance	Accumulated Depreciation: Opening Balance	Accumulated Depreciation: Disposals	Accumulated Depreciation: Transfers	Accumulated Depreciation: Depreciation	Accumulated Depreciation: Impairment loss	Accumulated Depreciation: Closing Balance
Land and Buildings													
Land	13 224 821	-	-	-	-	-	13 224 821	-	-	-	-	-	
Buildings - Dwelling	217 295	-	-	-	-	-	217 295	-45 951	-	-	-7 072	-	-53 023
Buildings - Non residential dwellings	21 158 560	2 771 649	-	-462 239	-	4 141 135	27 609 105	-1 781 897	-	-	-555 094		-2 336 991
	34 600 676	2 771 649	-	-462 239	-	4 141 135	41 051 221	-1 827 848	-	-	-562 166	-	-2 390 014
Infrastructure													
Cemetries	4 608	-	-	-	-	-	4 608	-1 088	-	-	-140		-1 228
Electricity	734 114	-	-	-	-	-	734 114	-542 429	-		-44 888		-587 317
Reservoirs - water	80 032	-	-	-	-	-	80 032	-15 257	-		-1 468		-16 725
Roads	29 407 623	3 707 400	-	-	-	8 112 884	41 227 907	-6 720 346	-		-1 161 241		-7 881 587
Solid waste disposal	2 651 189	488 549	-	-	-	-	3 139 738	-37 916	-		-46 590	-108 720	-193 226
	32 877 566	4 195 949	-	-	-	8 112 884	45 186 399	-7 317 036	-	-	-1 254 327	-108 720	-8 680 083
Heritage Assets													
Heritage assets	128 080	-	-	-	-	-	128 080	-	-				
	128 080	-	-	-	-	-	128 080	-	-				
Other assets													-
Furniture & office equipment	1 192 647	331 105	39 155				1 562 907	-695 086			-120 007	-1 018	-816 111
Computer Equipment	903 097	249 051	8 896		-9 250		1 151 794	-506 418	688		-105 224	-1 176	-612 130
Machinery & equipment	3 316 315	268 386	14 616		-188 820		3 410 497	-1 202 448	89 460		-218 438	-37 557	-1 368 983
Motor vehicles	2 053 733	1 937 561	125 010		-266 071		3 850 233	-690 049	206 567		-333 534	-162	-817 178
	7 465 792	2 786 103	187 677	-	-464 141	-	9 975 431	-3 094 001	296 715	-	-777 203	-39 913	-3 614 402
Total Property, Plant and Equipment													
Intangible Assets													
Computers - software & programming	72 996	-	-	-	-	-	72 996						
	72 996	-	-	-	-	-							
Total	75 145 110	9 753 701.00	187 677.00	-462 239.00	-464 141.00	12 254 019.00	96 341 131.00	-12 238 885.00	296 715.00	-	-2 593 696.00	-148 633.00	-14 684 499.00

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RICHMOND LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 201·

	Cost / Revaluation							Accumulated Depreciation						Carrying
	Opening Balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment Deficit	Closing Balance	Value
Council	344 825	17 147	-10 815	-	-	-	351 157	-120 620	901		-29 663	-136	-149 518	201 639
Municipal Manager	109 709	54 421	-	-	-	-	164 130	-58 402	-		-12 067	-4 610	-75 079	89 051
Financial Services	328 590	339 129	-9 250	-	-	-	658 469	-133 394	688		-39 674	-657	-173 037	485 432
Corporate Services	18 911 826	321 949	-	-	-	2 077 789	21 311 564	-1 285 348	-		-218 277	-19 628	-1 523 253	19 788 311
Technical Services	37 913 228	8 242 688	-442 726	-	-	9 769 896	55 483 086	-8 272 799	295 014		-1 851 885	-1 067 706	-10 897 376	44 585 710
Community Services	13 841 480	743 294	-1 350	-	-	2 945 832	17 529 256	-1 049 559	113		-385 757	-6 901	-1 442 104	16 087 152
Public Safety	693 716	237 236	-	-	-	-	930 952	-413 928			-63 254	-8	-477 190	453 762
					-	-	-							
TOTAL	72 143 376	9 955 864	-464 141	-	-	14 793 516	96 428 615	-11 334 050	296 716	-	-2 600 577	-1 099 646	-14 737 557	81 691 057

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RICHMOND LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011
MUNICIPAL SUB-VOTES CLASSIFICATION

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
832 041	3 482 769	(2 650 728)	Council's General Expences	849 000	3 586 732	(2 737 732)
-	1 128 189	(1 128 189)	Municipal Manager	-	1 337 764	(1 337 764)
24 827 607	5 648 187	19 179 420	Financial Services	31 375 259	8 059 204	23 316 055
236 812	3 013 426	(2 776 614)	Corporate Services	338 376	3 764 103	(3 425 728)
2 742 798	3 731 029	(988 231)	Community Services	-	1 423 813	(1 423 813)
-	-	-	Housing	1 322 467	1 322 467	0
50 485	101 286	(50 801)	Cemetery	56 570	121 061	(64 491)
9 220	814 684	(805 464)	Library	10 289	804 816	(794 527)
149 503	1 144 647	(995 144)	Community Halls & Facilities	129 281	1 182 394	(1 053 113)
819 791	451 834	367 957	Buildings	478 346	606 125	(127 779)
152 025	559 958	(407 933)	Planning & Development	47 407	375 731	(328 324)
15 627 659	4 334 776	11 292 883	Technical Services	18 559 558	2 894 994	15 664 564
-	-	-	LED	334 378	340 518	(6 140)
216 940	2 210 428	(1 993 488)	Police	122 656	1 622 493	(1 499 837)
-	381 147	(381 147)	Security	-	837 350	(837 350)
1 305 743	212 252	1 093 491	Learners Licences	1 549 473	514 392	1 035 081
89 394	4 499 223	(4 409 829)	Roads	-	5 566 533	(5 566 533)
311 234	131 989	179 245	Vehicle Licensing and Testing	375 170	220 459	154 711
2 791 214	1 293 331	1 497 883	Sport & Recreation	310 375	1 239 521	(929 146)
2 034 007	3 174 893	(1 140 886)	Waste Management	2 097 090	2 940 226	(843 136)
						-
52 196 473	36 314 048	15 882 425	Sub Total	58 082 110	38 893 260	19 188 850
-	-	-	Less Inter-Departmental Charges	-	-	-
52 196 473	36 314 048	15 882 425	**Total**	58 082 110	38 893 260	19 188 850

The supplementary information presented does not form part of the annual financial statements and is unaudited

APPENDIX E(1) - Unaudited
RICHMOND LOCAL MUNICIPALITY
REVENUE AND EXPENDITURE
ACTUAL VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2011
GENERAL FINANCE STATISTIC CLASSIFICATIONS

		2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
REVENUE						
Property Rates		5 137 436	4 800 000	337 436	7.03%	
Service Charges		1 137 628	1 050 390	87 238	8.31%	
Property rates - penalties imposed and collection charges		453 820	300 000	153 820	51.27%	Due to outstanding rates
Interest Earned - outstanding debtors		513 825	60 000	453 825	756.38%	
Interest Earned - external investments		1 390 269	1 450 000	(59 731)	-4.12%	
Fines		83 322	205 000	(121 678)	-59.35%	Delays at court with releasing funds
Government Grants and Subsidies		46 440 054	50 180 674	(3 740 620)	-7.45%	
Licences and Permits		1 170 964	1 865 500	(694 536)	-37.23%	Dependant on demand for service
Income for Agency Services		419 648	369 300	50 348	13.63%	Dependant on demand for service
Rental of Facilities and Equipment		774 286	1 126 905	(352 619)	-31.29%	Slow timber sales
Other Income		482 748	2 374 410	(1 891 663)	-79.67%	Contribution from acc funds not required
		-	-	-		
Total Revenue		58 004 001	63 782 179	(5 778 178)	-9.06%	
EXPENDITURE						
Employee related costs		16 255 069	16 786 587	(531 518)	-3.17%	
Remuneration of Councillors		3 044 342	3 099 430	(55 088)	-1.78%	
Debt Impairment		-	-	-	0.00%	
Depreciation and Amortisation		2 600 577	3 884 478	(1 283 901)	-33.05%	Costs lower than estimared due to AUC
Finance charges		283	-	283	100.00%	Finance lease
Collection costs		28 433	98 360	(69 927)	-71.09%	Commission based
Repairs and Maintenance		2 653 064	2 965 450	(312 387)	-10.53%	
Contracted services		1 419 130	1 752 028	(332 898)	-19.00%	Actual costs incurred
Grants and Subsidies Paid		93 582	99 980	(6 398)	-6.40%	
General Expenses		12 798 123	12 108 263	689 860	5.70%	
Impairment loss		148 634	-	148 634	100.00%	Assets in condition poor
Total Expenditure		39 041 236	40 794 576	(1 753 340)	-4.30%	
Gain / (loss) on disposal of non current assets held for sale	4410	78 109	-	78 109	100.00%	
SURPLUS / (DEFICIT) FOR THE YEAR		19 040 874	22 987 603	(3 946 730)		

RICHMOND LOCAL MUNICIPALITY
APPENDIX E (2)
BUDGET ANALYSIS OF CAPITAL EXPENDITURE AS AT 30 JUNE 2011

	Additions R	Revised Budget R	Variance R	Variance %	Explanation of significant variances from budget
Buildings					
Non Residential Dwellings	6 912 784	7 686 103	773 319	10%	Projects not completed during the year
	6 912 784	7 686 103	773 319	10%	
Roads	11 820 284	15 605 225	3 784 941	24%	Projects not completed during the year
Solid	488 549	488 549	-	0%	
	12 308 833	16 093 774	3 784 941	24%	
Other property, plant and equipment					
Furniture and office equipment	331 105	338 854	7 749	2%	
Motor Vehicles	1 937 561	1 952 782	15 221	1%	
Computer Equipment	249 051	239 512	(9 539)	-4%	
Machinery and Equipment	268 386	293 184	24 798	8%	
	2 786 103	2 824 332	38 229	1%	

RICHMOND LOCAL MUNICIPALITY
APPENDIX F
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 MFMA, 56 OF 2003

me of Grar	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed / witheld				Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Sep	Dec	Mar	June	Sep	Dec	Mar	June	Sep	Dec	Mar	June		Yes/No	
Financial Management Grant	National Tr	1 500 000	0	0	0	0	22 000	284 000	792 000	0	0	0	0		Yes	
Municipal Systems Improvement Grant	National Tr	750 000	0	0	0	328 000	100 000	23 000	237 000	0	0	0	0		Yes	
Municipal Infrastructure Grant	National Tr	2 150 000	2 150 000	5 345 000	0	2 672 000	5 414 000	81 000	50 000	0	0	0	0		Yes	
		4 400 000	2 150 000	5 345 000	0	3 000 000	5 536 000	388 000	1 079 000	0	0	0	0			